



Agenda Date: 9/24/03

Agenda Item: 4A

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF)	
BUSINESS TELECOM, INC. FOR APPROVAL)	ORDER OF APPROVAL
TO PARTICIPATE IN UP TO \$10 MILLION IN)	
DEBT FINANCING)	DOCKET NO. TF03080658
)	

(SERVICE LIST ATTACHED)

BY THE BOARD:

Business Telecom, Inc. ("BTI" or the "Petitioner"), a North Carolina corporation and a public utility subject to the jurisdiction of the Board of Public Utilities (the "Board"), filed a petition with the Board on August 15, 2003, pursuant to N.J.S.A. 48:3-7 and 48:3-9, for approval to participate in up to \$10 million in debt financing. The proposed transaction is one of three for which BTI is seeking approval from the Board.¹

BTI is authorized to provide local exchange and interexchange services throughout New Jersey, pursuant to Board Order of Approval dated February 6, 2002, in Docket No. TE01070416. BTI is a wholly owned subsidiary of BTI Telecom Corp. ("BTI Telecom"), a privately held North Carolina holding company.

As currently planned, BTI will incur debt in an amount up to \$10 million, secured by certain of BTI's assets and guaranteed by BTI Telecom and BTI's subsidiaries. The debt transaction contemplates the issuance by BTI of 10% Senior Secured Notes of up to \$10 million ("Notes") to WCAS Capital Partners III, L.P. ("WCAS III"), Welsh, Carson, Anderson & Stowe VIII, L.P. ("WCAS VIII"), and certain affiliates of WCAS III and WCAS VIII. BTI, BTI Telecom and BTI's subsidiaries will guarantee payment of the Notes with a fully perfected subordinated security interest in all of BTI's existing and after-acquired assets, as well as all of the issued and outstanding capital stock of BTI and its subsidiaries.

BTI has determined that in order to realize certain economic and marketing efficiencies, BTI will need immediate access to capital available through the proposed financing. BTI plans to use the funds made available through the financing to fund working capital, capital expenditures, approved acquisitions, and other corporate purposes.

¹ On July 16, 2003, BTI filed a Petition for Approval of a *Pro Forma* Transfer of Control, Docket No. TM03070532. On August 27, 2003, BTI filed a Petition for Approval of Financing Transactions, Docket No. TF03080675, seeking approval for a reallocation of debt.

Petitioner, in accordance with N.J.A.C. 14:1-12 et seq., filed a request for confidential treatment of this matter.

The Staff's review indicates that the financing transaction is in accordance with law and that the use of the proceeds associated therewith is appropriate. Moreover, while there is no guarantee in this regard, especially given the competitive environment in which Petitioner operates, the Board is satisfied that the transactions will not have an adverse impact on Petitioner's operations in New Jersey.

After review the Board FINDS that the transaction to be made in accordance with the law, is in the public interest, and approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.

This Order is issued subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. Petitioner shall semiannually file statements for the amounts, use of the amounts and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9 (b).
3. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:3-7 et seq. where applicable.

4. This Order shall not affect, or in any way limit, the exercise of the authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioner.

DATED: September 25, 2003

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]

JEANNE M. FOX
PRESIDENT

[SIGNED]

FREDERICK F. BUTLER
COMMISSIONER

[SIGNED]

CAROL J. MURPHY
COMMISSIONER

[SIGNED]

CONNIE O. HUGHES
COMMISSIONER

ATTEST:

[SIGNED]
KRISTI IZZO
SECRETARY

Service List

**I/M/O petition of Business Telecom Inc.
For Approval to Participate in up to
\$10 Million in Debt Financing
TF03080658**

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